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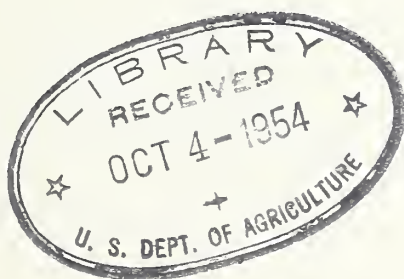
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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

August 4, 1954

MEMORANDUM TO MEMBERS OF CONGRESS

For a number of weeks we have been receiving requests from Members of Congress for information regarding the progress and status of the rural electrification and rural telephone loan programs administered by this agency. For the most part, these requests have been concerned with the amount of loan applications on hand, amount of funds available for loans and construction progress. In view of this interest in our operations, we are making available to all Members the attached summaries of the two programs. If you would like more detailed information, we shall be glad to provide it upon request.



Ancher Nelsen

Ancher Nelsen
Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

874481

August 4, 1954

ELECTRIFICATION PROGRAM SUMMARY

Electrification Loan Program

<u>Applications for Loans</u>	<u>As of June 30, 1953</u>		<u>As of June 30, 1954</u>	
	<u>Number</u>	<u>Amount</u> (millions)	<u>Number</u>	<u>Amount</u> (millions)
Applications on hand	226	\$ 193	157	\$ 118
Section 4 (Construction)	215	192	146	117
Distribution	-	95	128	51
Generation	-	46	13	46
Transmission	-	51	28	20
Section 5 (Consumer facilities)	11	1	11	1

- Notes: 1. Backlog of loan applications at June 30 is the lowest since 1947.
2. Applications totalling \$156 million were received during the fiscal year 1954.

<u>Available Funds</u>	<u>Fiscal 1954</u> (millions)	<u>Fiscal 1955</u> (millions)
Regular loan authorization	\$ 135	\$ 135
Contingent loan authorization	45 *	35
Carryover from previous fiscal year	30	47
Rescissions	<u>11</u>	<u>8 **</u>
Total funds available	\$ 221	\$ 225 **

*/ \$38 million of this contingency fund was drawn.

**/ Estimated.

<u>Loans and Advances</u>	To June 30, 1953 (dollars in millions)	To June 30, 1954 (dollars in millions)
Loans approved, cumulative	\$ 2,730	\$ 2,886
Fiscal year, number	345	325
Fiscal year, amount	\$ 165	\$ 167
Advances, cumulative	\$ 2,262	\$ 2,444
Fiscal year, amount	\$ 208	\$ 182
Unadvanced loan funds	\$ 468	\$ 442

- Note:
1. The amount loaned in fiscal year 1954 was the highest since fiscal year 1951.
 2. Loans in fiscal 1954 exceeded the amount of applications received by about \$11 million.
 3. Advances to June 30, 1954 amount to approximately 85 percent of the total loans approved.
 4. The amount of unadvanced funds continues to drop.

Loans by Purpose (annual)

	<u>Percentage Distribution of Loans</u>		
	<u>For Fiscal</u>	<u>For Fiscal</u>	<u>For Fiscal</u>
	<u>1952</u>	<u>1953</u>	<u>1954</u>
	percent	percent	percent
Distribution facilities except system improvements	44.9	52.8	57.1
System improvements	16.7	23.1	23.0
Generation	14.5	4.5	11.1
Transmission	22.8	17.6	7.6
Section 5 (consumer facilities)	1.1	2.0	1.2
Total	100.0	100.0	100.0

Note:

1. System improvement loans now approach one-fourth of the total amount loaned, and will probably require an increasing proportion in the future.

Electrification Construction Program

<u>Construction Progress (Annual)</u>	<u>Fiscal 1952</u>	<u>Fiscal 1953</u>	<u>Estimated Fiscal 1954</u>
Miles of line energized	76,000	61,000	46,000
Consumers connected	222,000	183,000	147,000
Consumer density per mile	2.9	3.0	3.2

Note: 1. Continued decline in miles energized and consumers connected.
2. Consumer density of new construction remains relatively stable.

Cost of Distribution Line (December)

	<u>1940</u>	<u>1950</u>	<u>1953</u>
Average per weighted mile */	\$ 720 **	\$ 1,909***	\$2,100***

*/ For typical system with density of 2.5 consumers per mile.

**/ Designed for an average of 90 kwh per consumer per month.

*** / Designed for an average of 300 kwh per consumer per month.

Note: 1. Costs rose steadily from 1940 to 1953, but appear to be leveling off.

Status of Electrification Borrowers

<u>Type of borrowers</u>	<u>Number of borrowers</u>		
	<u>June 30, 1952</u>	<u>June 30, 1953</u>	<u>June 30, 1954</u>
Cooperatives	986	984	983
Public Utility Districts	43	44	45
Other public bodies	26	26	26
Electric companies	<u>25</u>	<u>25</u>	<u>25</u>
Total	1,080	1,079	1,079

Note:

1. Number of borrowers is constant.

<u>Borrower Averages</u>	<u>June 30, 1952</u>	<u>June 30, 1954</u> (Preliminary data)
Average weighted age, months	77	97
Consumer density per mile	3.1	3.1
Miles per system energized	1,191	1,290
Consumers per system energized	3,710	4,010
Advances per borrower	\$1,902,000	\$2,265,000
Net amount loaned per borrower	2,401,000	2,675,000

Note:

1. Stability of overall consumer density.

<u>Operating Statistics, Calendar Year</u>	<u>1941</u> (Millions)	<u>1950</u> (Millions)	<u>Preliminary</u> <u>1953</u> (Millions)
Operating revenues	\$ 35	\$ 197	\$ 365
Operating expenses	19	123	225
Net revenue before depreciation	8	54	105
Net revenue after depreciation	-	18	35

Note:

1. Continued expansion of borrowers revenues; revenues and expenses in 1953 were more than ten times those in 1941.

Financial Status, Cumulative

	<u>To 12-31-46</u> dollars in millions	<u>To 12-31-50</u> dollars in millions	<u>To June 30, 1954</u> dollars in millions
Total payments due	\$ 107	\$ 242	\$ 446
Total payments made	126	269	516
Principal	68	163	339
Interest	58	106	177
Advance payments	\$ 20	\$ 27	\$ 71
Payments delinquent over 30 days	0.9	0.7	0.4
Delinquency as percent of amount due	0.8%	0.3%	0.09%
Number of borrowers delinquent	62	43	23

- Note:
1. While delinquency is at the lowest point of any time in recent years, debt service payments are due on only about half of the funds loaned.
 2. 332 borrowers would be unable to meet their maximum debt service if it were due today. After giving consideration to the weighted age and to borrowers special problems, there are 239 borrowers, with indebtedness totaling about half a billion dollars whose earnings are not considered adequate to maintain them in a sound financial position. REA is giving special attention to these borrowers.

Power Consumption, Costs and Sources

<u>Calendar Year Averages</u>	<u>1941</u>	<u>1946</u>	<u>1952</u>	<u>Preliminary 1953</u>
Kwh consumption per consumer (Annual)	919	1,602	2,760	3,036
Cost of energy purchase by borrower per kwh (¢) *	1.00	0.88	0.79	0.78
Price per kwh paid by all consumers (¢)	4.83	3.63	2.81	2.67

*/ On a fiscal year basis

Note:

1. Average kwh consumption per consumer is more than three times consumption in 1941.
2. Cost of purchased energy remains stable from 1952 to 1953.
3. Average price paid by consumers continues to drop as consumption increases.

<u>Source of Power</u>	<u>Percent of Total Kwh Input by Source</u>		
	<u>Fiscal 1949</u>	<u>Fiscal 1952</u>	<u>Fiscal 1953</u>
Generated and used by borrowers	8.2	5.7	5.2
Purchased from other borrowers	5.5	7.9	8.8
Purchased from Federal Agencies	22.6	28.1	29.0
Purchased from other public agencies	10.4	7.9	7.7
Purchased from power companies, industrial and manufacturing establishments	53.3	50.4	49.3
Total Input (Billions of kwh)	6.0	11.4	13.1

Note:

1. No significant change in recent years in the proportions of power received from various sources.
2. Total input more than doubled between 1949 and 1953.

<u>Progress in Rural Electrification</u>	<u>April 1, 1950</u>	<u>June 30, 1953</u>
Total farms in United States	5,382,134	-
Farms electrified	4,154,359	4,888,460
Percent electrified	77.2	90.8
Farms unelectrified	-	493,674

Note: Nine out of every 10 farms now have electricity.

(END OF ELECTRIFICATION PROGRAM SUMMARY)

TELEPHONE PROGRAM SUMMARY

Telephone Loan Program

<u>Applications for Loans</u>	<u>As of June 30, 1953</u>		<u>As of June 30, 1954</u>	
	<u>Number</u>	<u>Amount</u> (millions)	<u>Number</u>	<u>Amount</u> (millions)
Applications on hand	505	\$113	270	\$78

Notes: 1. Backlog reduced substantially since June 30, 1953.

2. Applications totaling \$68 million were received during the 1954 fiscal year.

<u>Available Funds</u>	<u>Fiscal 1954</u> (millions)	<u>Fiscal 1955</u> (millions)
Regular loan authorization	\$ 67.5	\$ 75
Carryover from previous fiscal year	7.1	8
Rescissions	<u>8.3</u>	<u>2 *</u>
Total funds available	\$ 82.9	\$ 85 *

*/ Estimated.

Loans and Advances

To June 30, 1953
(dollars in millions)

To June 30, 1954
(dollars in millions)

Loan Allocations, cumulative	\$ 118	\$ 185
Fiscal year, number	128	150
Fiscal year, amount	\$ 42	\$ 75
Advances, cumulative	\$ 32	\$ 60
Fiscal year, amount	\$ 24	\$ 28
Unadvanced loan funds	\$ 86	\$ 125

- Notes: 1. The \$75 million loaned in 1954 is the largest amount loaned in any one year to date.
2. Loans in fiscal 1954 exceeded the amount of applications received during the year by about \$7 million.
3. Since major construction is just getting underway, unadvanced funds constitute a substantial (68%) percentage of the loans to date. REA emphasis on getting borrowers cleared for first advance of loan funds and the progress being made in rural telephone construction will result in faster translation of loan funds into telephone service. At the beginning of fiscal year 1954, 144 borrowers with loans totaling \$79 million were authorized to draw their loan funds. At the beginning of fiscal year 1955, 186 borrowers had been authorized first advance on loans totaling \$124 million.

Loans by Purpose (Annual)

<u>Purpose</u>	For	<u>Percentage Distribution of Loans</u>		
	Fiscal 1954 <u>Loans</u> Millions	For Fiscal 1952 <u>Percent</u>	For Fiscal 1953 <u>Percent</u>	For Fiscal 1954 <u>Percent</u>
New Construction	\$ 40	59.6	53.1	50.8
Improvements	32	33.8	37.2	41.5
Refinancing	1	1.2	2.2	1.5
Acquisitions	3	3.7	6.1	4.1
Operations	2	1.3	1.0	1.9
Other	- *	0.4	0.4	0.2
Total funds required	78	100.0	100.0	100.0
Less cash equity required	3	6.2	3.4	4.3
Total loan allocations	75	93.8	96.6	95.7

*/Only \$145,000

Note: 1. Improvements to existing systems require more than one third of the total money loaned.

<u>Type of borrower</u>	<u>Number of borrowers as of</u>		
	<u>June 30, 1952</u>	<u>June 30, 1953</u>	<u>June 30, 1954</u>
Cooperatives	80	112	151
Commercial Companies	<u>110</u>	<u>107</u>	<u>128</u>
Total	190	219	279

Note: 1. While about 54 percent of the borrowers are cooperatives, approximately two-thirds of the loan dollars have gone to the cooperative borrowers.

Subscribers to be Served (Loan estimate)

	<u>June 30, 1953</u>	<u>June 30, 1954</u>
Number of existing subscribers	139,773	191,012
Number of new subscribers	<u>162,824</u>	<u>219,645</u>
Total	302,597	410,657

Note: 1. Note the substantial number of existing subscribers (47% of the subscribers provided for in loans to date) whose service will be improved as a result of REA loans.

Construction Progress

	<u>June 30, 1953</u>	<u>Accomplished during fiscal year 1954</u>
Number of borrowers in operation with all or part of exchanges cut-over.	42	53
Miles of line constructed	8,000	22,000
Subscribers connected	25,000	70,000

Note: 1. Substantial construction progress is reported for fiscal year 1954; more cutovers, more lines built and more subscribers connected in '54 than during all previous years combined.

Financial Status, Cumulative

To June 30, 1954

Total payments due	\$ 1,610,000
Total payments made	1,208,000
Principal	981,000
Interest	227,000
Advance Payments	7,000
Payments delinquent over 30 days	\$ 376,000
Delinquency as percent of amount due	23.3%
Number of borrowers delinquent	38

Note: I. Many of the telephone borrowers are young and have not yet achieved financial stability.

(END OF TELEPHONE PROGRAM SUMMARY)

